

JGN 2015-2020 Access Arrangement Price Path

AER meeting 19 February 2015

National gas objective

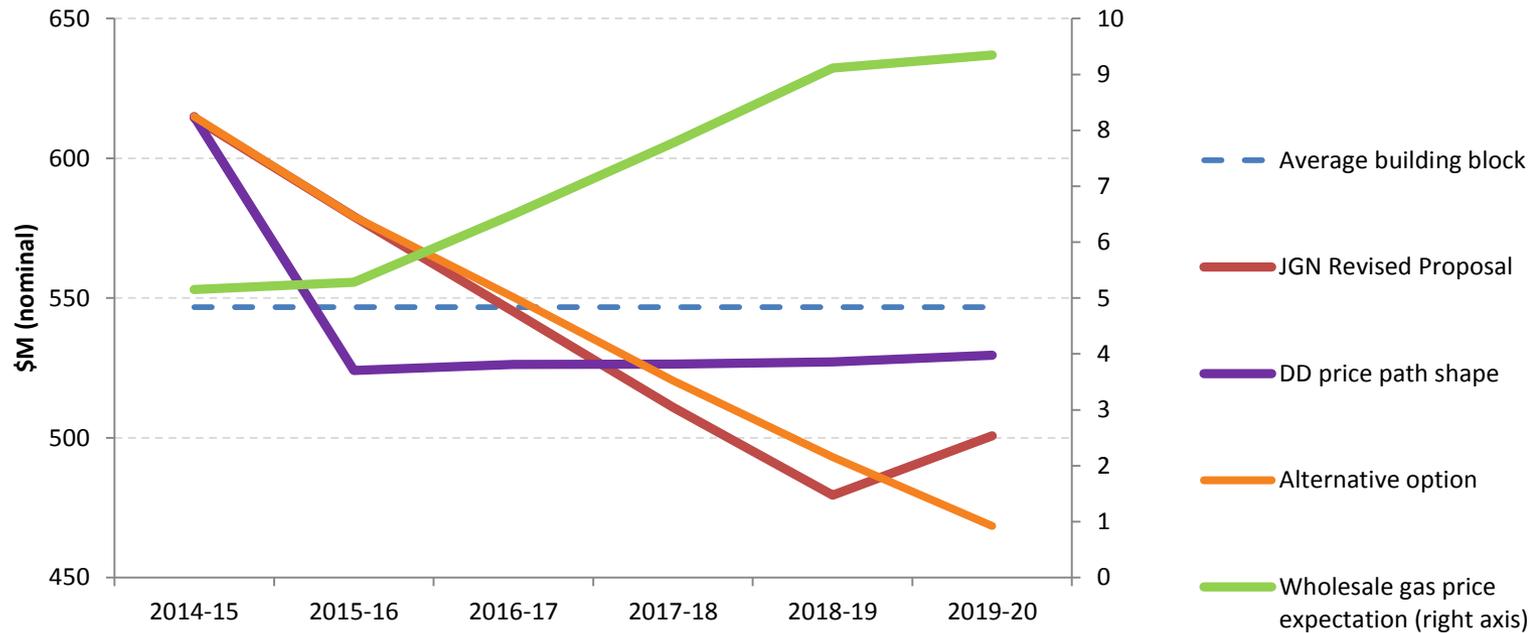
‘to promote efficient investment in, and **efficient** operation and **use of**, natural gas services for the long-term interests of consumers of natural gas with respect to price, quality, safety, reliability and security of supply of natural gas’

Efficient use of natural gas services rather than solely the network

The price path should promote customers long-term interests

- Economic efficiency—facilitate increased economic customer connections to, and use of, gas to lower average prices over time
- Customer preferences—customers told us
 - Rising gas prices and affordability are a concern (pre draft decision)
 - Ongoing real retail bill decreases are preferable (post draft decision)
 - Provides headroom in each year to allow for the uncertainty in timing and degree of wholesale gas price increases
 - Supports a sustainable marketing message

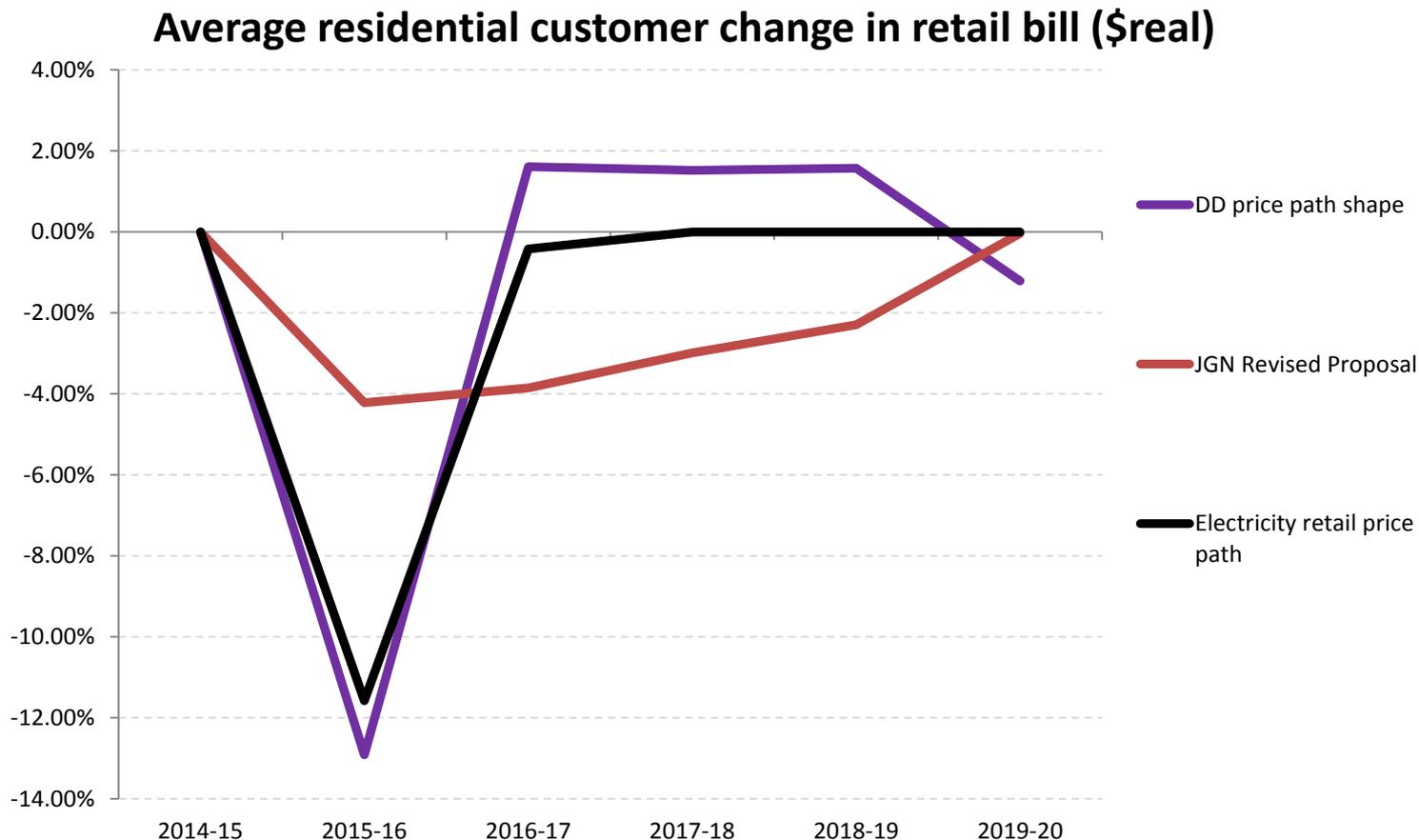
Revised price path compared to draft decision shape



	Draft Decision price path shape	JGN Revised Proposal
2015-16 Revenue (\$M)	524	579
Initial price change (P0)	14.93%	6.50%
Ongoing price change (X factor)	2.09%	8.24% with -1.84% in the final year
NPV Revenue (\$M)	2,115	2,115
Return to Cost of Service	6%	11%

Our proposed price path provides greater reductions to residential customer bills when wholesale gas prices are expected to rise

The price path presents an opportunity to better meet customers' long-term interests via impact on retail bill



Our revised price path provides ongoing real price decreases to customer bills. Better:

- accounts for uncertainty of when wholesale rises will occur
- supports sustainable marketing messages